

**NORTH KOSSUTH
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

(Before September 2013 Election)

Jeanne Kinney	President	2013
Paul Bormann	Vice President	2015
Rick Bauer	Board Member	2013
Gary Anderson	Board Member	2013
Beth Rolling	Board Member	2015
Lyndon Johnson	Board Member	2015
Brian Blocker (appointed October 2011 until February 2013 special election)	Board Member	2012
Christine Klenz (per February 2013 special election)	Board Member	2015

(After September 2013 Election)

Jeanne Kinney	President	2017
Paul Bormann	Vice President	2015
Rick Bauer	Board Member	2017
Alycia Sandvig	Board Member	2015
Lyndon Johnson	Board Member	2015
Christine Klenz	Board Member	2015
Phil Albers	Board Member	2017

School Officials

Mike Landstrum	Superintendent	2014
Lupe Kollasch	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
North Kossuth Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Kossuth Community School District, Swea City, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Kossuth Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Kossuth Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2014 on our consideration of North Kossuth Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Kossuth Community School District's internal control over financial reporting and compliance.

Schnarr & Company, LLP

Fort Dodge, Iowa
December 22, 2014

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Kossuth Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,072,365 in fiscal year 2013 to \$4,478,849 in fiscal year 2014, while General Fund expenditures increased from \$4,293,402 in fiscal year 2013 to \$4,349,221 in fiscal year 2014. This District's General Fund balance increased from \$799,720 at the end of fiscal year 2013 to \$929,348 at the end of fiscal year 2014, a 16.2% increase.
- The fiscal year 2014 General Fund revenue increase was attributable to increases in sharing agreements, state foundation aid, and federal grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salaries and benefits were less than the District's increase in General Fund revenue for fiscal year 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Kossuth Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Kossuth Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which North Kossuth Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.
- *Agency Funds* – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013:

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 4,645	\$ 4,092	\$ 58	\$ 24	\$ 4,703	\$ 4,116	14.26%
Capital assets	3,340	3,121	30	40	3,370	3,161	6.61%
Total assets	7,985	7,213	88	64	8,073	7,277	10.94%
Liabilities							
Long-term liabilities	442	207	3	6	445	213	108.92%
Other liabilities	1,079	1,348	34	6	1,113	1,354	-17.80%
Total liabilities	1,521	1,555	37	12	1,558	1,567	-0.57%
Deferred inflows of resources	1,964	1,309	2	2	1,966	1,311	49.96%
Net Position							
Net investment in capital assets	3,145	3,121	30	40	3,175	3,161	0.44%
Restricted	676	429	-	-	676	429	57.58%
Unrestricted	679	799	19	10	698	809	-13.72%
Total net position	\$ 4,500	\$ 4,349	\$ 49	\$ 50	\$ 4,549	\$ 4,399	3.41%

The District's total net position increased 3.4%, or approximately \$150,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$247,000, or 57.6%, over the prior year. The increase was primarily a result of decreased expenditures in state categorical funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$111,000, or 13.7%. This reduction in unrestricted net position was primarily a result of the District's purchase of capital leases during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013:

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business-Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 1,241	\$ 944	\$ 62	\$ 68	\$ 1,303	\$ 1,012	28.8%
Operating grants, contributions and restricted interest	586	569	103	93	689	662	4.1%
General revenues:							
Property tax	1,936	2,023	-	-	1,936	2,023	-4.3%
Statewide sales, services and use tax	262	247	-	-	262	247	6.1%
Unrestricted state grants	891	747	-	-	891	747	19.3%
Unrestricted investment earnings	2	15	-	-	2	15	-86.7%
Other revenue	147	12	-	-	147	12	1125.0%
Total revenues	5,065	4,557	165	161	5,230	4,718	10.9%
Expenses:							
Instruction	3,414	3,293	-	-	3,414	3,293	3.7%
Support services	1,168	1,201	-	-	1,168	1,201	-2.7%
Non-instructional programs	-	-	166	172	166	172	-3.5%
Other expenses	332	352	-	-	332	352	-5.7%
Total expenses	4,914	4,846	166	172	5,080	5,018	1.2%
Excess (deficiency) of revenues over (under) expenditures	151	(289)	(1)	(11)	150	(300)	-150.0%
Other financing sources (uses):							
Transfers/loss on disposal of assets	-	(5)	-	-	-	(5)	-100.0%
Change in net position	151	(294)	(1)	(11)	150	(305)	-149.2%
Net position, beginning of year	4,349	4,643	50	61	4,399	4,704	-6.5%
Net position, end of year	\$ 4,500	\$ 4,349	\$ 49	\$ 50	\$ 4,549	\$ 4,399	3.4%

In fiscal year 2014, property tax and unrestricted state grants accounted for 55.8% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100.0% of business-type activities revenue. The District's total revenues were approximately \$5.2 million, of which approximately \$5 million was for governmental activities and less than \$1 million was for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As shown in Figure A-2, the District as a whole experienced an 11% increase in revenues and a 1% increase in expenses. Revenues increased significantly as a result of increased sharing agreements with other local area education agencies (LEA's) and from the sale of buses under capital leases.

Governmental Activities

Revenues for governmental activities were \$5,065,276 and expenses were \$4,914,078 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 3,414	\$ 3,293	3.7%	\$ 1,972	\$ 1,931	2.12%
Support services	1,168	1,201	-2.7%	921	1,183	-22.15%
Other expenses	332	352	-5.7%	193	219	-11.87%
Total	\$ 4,914	\$ 4,846	1.4%	\$ 3,086	\$ 3,333	-7.41%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,240,815.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$586,296.
- The net cost of governmental activities was financed with \$2,197,863 in property and other taxes and \$891,354 in unrestricted state grants.

Business-type Activities

Revenues for business-type activities during the year ended June 30, 2014 were \$165,150, representing a 2.6% increase over the prior year, while expenses totaled \$166,152, a 3.4% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement, and investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, North Kossuth Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,429,932, above last year's ending fund balances of \$1,258,774. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to \$88,427 in proceeds received on the sale of leased buses.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Increased sharing arrangements during the year, state foundation aid and federal grants resulted in an increase in general fund revenues. Although the District increased expenditures during the current year, revenues were more than enough to match total expenditures; therefore, the District was able to carryover its fund balance to meet financial obligations in future years.
- The General Fund balance increased from \$799,720 to \$929,348 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased due to proceeds from the sale of leased buses in the amount of \$88,427 received during fiscal year 2014. The District ended fiscal year 2014 with a balance of \$370,089.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$50,456 at June 30, 2013 to \$49,454 at June 30, 2014, representing a decrease of approximately 2.0%. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$638,398 more than total budgeted revenues, a variance of approximately 14%.

Total expenditures were more than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. During the year, increased cost for special education and whole grade sharing arrangements caused actual expenditures to exceed budgeted amounts.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services, non-instructional programs and other expenditures functions due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$3.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4). This represents a net increase of 6.6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$248,394.

The original cost of the District's capital assets was approximately \$6.6 million. Governmental funds account for approximately \$6.5 million, with the remainder of less than \$1 million accounted for in the Proprietary School Nutrition Fund.

Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 31	\$ 31	\$ -	\$ -	\$ 31	\$ 31	0.00%
Buildings	2,040	2,108	-	-	2,040	2,108	-3.23%
Improvements, other than buildings	640	523	-	-	640	523	22.37%
Furniture and equipment	629	459	30	40	659	499	32.06%
Total	\$ 3,340	\$ 3,121	\$ 30	\$ 40	\$ 3,370	\$ 3,161	6.61%

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$2,264,902 at June 30, 2014, compared to \$2,024,460 reported at June 30, 2013. This significant increase resulted from the purchase of three school buses under capital leases.

Long-term Liabilities

At June 30, 2014, the District had \$445,166 in total long-term liabilities. This represents an increase of approximately 109% from last year (See Figure A-5). Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Figure A-5
Long-term Liabilities

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ -	\$ 4,048	\$ -	\$ 4,048	\$ 4,048
Termination benefits	104,982	-	25,308	79,674	29,058
Capital leases	-	233,824	38,356	195,468	34,868
Net OPEB liability	102,069	60,590	-	162,659	-
Total	\$ 207,051	\$ 298,462	\$ 63,664	\$ 441,849	\$ 67,974
Business-type activities:					
Net OPEB liability	\$ 6,144	\$ -	\$ 2,827	\$ 3,317	\$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The North Kossuth Community School has advised the District its total taxable valuation will increase 20.8% for property tax collected in fiscal year 2015 due to the recent completion of property revaluation assessments.
- The District's financing is highly dependent upon student enrollment. The District's October 2014 enrollment decreased by 13.2 students. This decrease will negatively affect the District funding for fiscal year 2015.
- The District will continue a whole grade sharing arrangement with Armstrong Ringsted and Sentral Community School Districts. Consolidated bus routes, shared staff and coaches, and shared expenses continue to affect the financial health of the district. North Kossuth employment needs will continue to be assessed.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Dowd, District Treasurer and Business Manager, North Kossuth Community School District, 203 5th Street North, Swea City, Iowa 50590.

BASIC FINANCIAL STATEMENTS

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,634,106	\$ 29,225	\$ 1,663,331
Receivables:			
Property tax:			
Delinquents	19,327	-	19,327
Succeeding year	1,963,630	-	1,963,630
Accounts	24,135	23,649	47,784
Due from other funds	41,517	-	41,517
Due from other governments	962,207	-	962,207
Inventories	-	4,650	4,650
Capital assets, net of accumulated depreciation	3,340,323	30,479	3,370,802
Total assets	7,985,245	88,003	8,073,248
Liabilities			
Accounts payable	739,794	1,274	741,068
Salaries and benefits payable	328,010	2,175	330,185
Due to other funds	11,517	30,000	41,517
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	4,048	-	4,048
Termination benefits	29,058	-	29,058
Capital leases	34,868	-	34,868
Portion due or payable after one year:			
Termination benefits	50,616	-	50,616
Capital leases	160,600	-	160,600
Net OPEB liability	162,659	3,317	165,976
Total liabilities	1,521,170	36,766	1,557,936
Deferred Inflows of Resources			
Unavailable property tax revenue	1,963,630	-	1,963,630
Other	-	1,783	1,783
Total deferred inflows of resources	1,963,630	1,783	1,965,413

(Continued on next page)

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**Exhibit A
(Continued)**

**STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 3,144,855	\$ 30,479	\$ 3,175,334
Restricted for:			
Categorical funding	175,256	-	175,256
Management levy purposes	115,414	-	115,414
Physical plant and equipment	370,089	-	370,089
Student activities	15,081	-	15,081
Unrestricted	679,750	18,975	698,725
Total net position	\$ 4,500,445	\$ 49,454	\$ 4,549,899

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Services		
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,193,160	\$ 184,736	\$ 233,861	\$ -
Special instruction	1,025,888	310,551	127,125	-
Other instruction	195,211	530,959	54,663	-
	<u>3,414,259</u>	<u>1,026,246</u>	<u>415,649</u>	<u>-</u>
Support services:				
Student	65,630	-	-	-
Instructional staff	118,067	195,184	-	-
Administration	461,005	-	18,015	-
Operation and maintenance of plant	264,644	-	-	-
Transportation	258,442	19,385	13,890	-
	<u>1,167,788</u>	<u>214,569</u>	<u>31,905</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	81,333	-	-	-
AEA flowthrough	138,742	-	138,742	-
Depreciation (unallocated)*	111,956	-	-	-
	<u>332,031</u>	<u>-</u>	<u>138,742</u>	<u>-</u>
Total governmental activities	<u>4,914,078</u>	<u>1,240,815</u>	<u>586,296</u>	<u>-</u>
Business-type activities:				
Support services:				
Operation and maintenance of plant	185	-	-	-
Non-instructional programs:				
Food service operations	165,967	61,689	103,446	-
Total business-type activities	<u>166,152</u>	<u>61,689</u>	<u>103,446</u>	<u>-</u>
Total	<u>\$ 5,080,230</u>	<u>\$ 1,302,504</u>	<u>\$ 689,742</u>	<u>\$ -</u>

Exhibit B

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,774,563)	\$ -	\$ (1,774,563)
(588,212)	-	(588,212)
390,411	-	390,411
(1,972,364)	-	(1,972,364)
(65,630)	-	(65,630)
77,117	-	77,117
(442,990)	-	(442,990)
(264,644)	-	(264,644)
(225,167)	-	(225,167)
(921,314)	-	(921,314)
(81,333)	-	(81,333)
-	-	-
(111,956)	-	(111,956)
(193,289)	-	(193,289)
(3,086,967)	-	(3,086,967)
-	(185)	(185)
-	(832)	(832)
-	(1,017)	(1,017)
(3,086,967)	(1,017)	(3,087,984)

(Continued on next page)

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

June 30, 2014

	Program Revenues		
	Operating	Grants,	Capital Grants,
	Contributions	and Restricted	Contributions
	and Restricted	Interest	and Restricted
	Interest		Interest
Expenses	Charges for		
	Services		
General Revenues:			
Property taxes levied for:			
General purposes			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			

Change in net position

Net position beginning of year

Net position end of year

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B
(Continued)

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ 1,867,087	\$ -	\$ 1,867,087
69,003	-	69,003
261,773	-	261,773
891,354	-	891,354
1,622	15	1,637
147,326	-	147,326
3,238,165	15	3,238,180
151,198	(1,002)	150,196
4,349,247	50,456	4,399,703
\$ 4,500,445	\$ 49,454	\$ 4,549,899

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General	Capital Projects
Assets		
Cash, cash equivalents and pooled investments	\$ 1,164,978	\$ 341,312
Receivables:		
Property tax:		
Delinquent	17,706	771
Succeeding year	1,814,775	73,855
Accounts	20,322	-
Due from other funds	30,000	750
Due from other governments	920,323	41,401
Total assets	\$ 3,968,104	\$ 458,089
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 725,459	\$ 14,145
Salaries and benefits payable	328,010	-
Due to other funds	11,517	-
Total liabilities	1,064,986	14,145
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	1,814,775	73,855
Income surtax	158,995	-
Total deferred inflows of resources	1,973,770	73,855
Fund Balances:		
Restricted for:		
Categorical funding	175,256	-
Management levy purposes	-	-
Student activities	-	-
School infrastructure	-	258,317
Physical plant and equipment	-	111,772
Unassigned	754,092	-
Total fund balances	929,348	370,089
Total liabilities, deferred inflows of resources and fund balances	\$ 3,968,104	\$ 458,089

See notes to financial statements.

Exhibit C

Nonmajor	Total
\$ 114,772	\$ 1,621,062
850	19,327
75,000	1,963,630
3,813	24,135
10,767	41,517
483	962,207
\$ 205,685	\$ 4,631,878

\$ 190	\$ 739,794
-	328,010
-	11,517
190	1,079,321

75,000	1,963,630
-	158,995
75,000	2,122,625

-	175,256
115,414	115,414
15,081	15,081
-	258,317
-	111,772
-	754,092
130,495	1,429,932

\$ 205,685	\$ 4,631,878
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NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit D

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balances of governmental funds (page 18) **\$ 1,429,932**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 3,340,323

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 158,995

An internal service fund is used by the District's management to charge the costs of the medical deductible reimbursement plan and employee flexible benefit plan to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities. 13,044

Long-term liabilities, including capital leases, compensated absences, other post-employment benefits payable, and early retirement obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (441,849)

Net position of governmental activities (page 15) **\$ 4,500,445**

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit E

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total
Revenues:				
Local sources:				
Local tax	\$ 1,783,549	\$ 69,003	\$ 75,314	\$ 1,927,866
Tuition	972,374	-	-	972,374
Other	245,276	188	58,364	303,828
State sources	1,276,479	261,773	-	1,538,252
Federal sources	201,171	-	-	201,171
Total revenues	4,478,849	330,964	133,678	4,943,491
Expenditures:				
Current:				
Instruction:				
Regular	2,088,889	-	31,033	2,119,922
Special	1,011,952	-	-	1,011,952
Other	140,854	-	51,465	192,319
	3,241,695	-	82,498	3,324,193
Support services:				
Student	93,241	-	-	93,241
Instructional staff	42,048	37,473	-	79,521
Administration	403,435	14,655	23,462	441,552
Operation and maintenance of plant	222,697	98,325	24,982	346,004
Transportation	207,363	233,824	6,176	447,363
	968,784	384,277	54,620	1,407,681
Other expenditures:				
Capitalized lease payments	-	40,324	-	40,324
Facilities acquisition	-	183,644	-	183,644
AEA flowthrough	138,742	-	-	138,742
	138,742	223,968	-	362,710
Total expenditures	4,349,221	608,245	137,118	5,094,584
Excess (deficiency) of revenues over (under) expenditures	129,628	(277,281)	(3,440)	(151,093)

(Continued on next page)

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**Exhibit E
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Total
Other financing sources:				
Capital lease proceeds	\$ -	\$ 233,824	\$ -	\$ 233,824
Sale of equipment and materials	-	88,427	-	88,427
Total other financing sources	-	322,251	-	322,251
Change in fund balances	129,628	44,970	(3,440)	171,158
Fund balances, beginning of year	799,720	325,119	133,935	1,258,774
Fund balances, end of year	<u>\$ 929,348</u>	<u>\$ 370,089</u>	<u>\$ 130,495</u>	<u>\$ 1,429,932</u>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2014

Change in fund balances - total governmental funds (page 21) **\$ 171,158**

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Basis in capital assets sold	\$ (5,595)	
Expenditures for capital assets	463,534	
Depreciation expense	<u>(238,519)</u>	219,420

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds and are included as deferred inflows of resources. They are, however, recorded as revenues in the Statement of Activities.

8,224

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(233,824)	
Repaid	<u>38,356</u>	(195,468)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	25,308	
Compensated absences	(4,048)	
Other post-employment benefits	<u>(60,590)</u>	(39,330)

(Continued on next page)

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**Exhibit F
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2014

***Amounts reported for governmental activities in the
Statement of Activities are different because (continued):***

An internal service fund is used by the District's management to charge the costs of the health insurance deductible reimbursement program and employee flexible benefit plan to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

\$ (12,806)

Change in net position of governmental activities (page 17)

\$ 151,198

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2014

	Enterprise Fund	
	School Nutrition	Internal Service
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,225	\$ 13,044
Accounts receivable	23,649	-
Inventories	4,650	-
Total current assets	<u>57,524</u>	<u>13,044</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>30,479</u>	<u>-</u>
Total assets	<u>88,003</u>	<u>13,044</u>
Liabilities		
Current liabilities:		
Accounts payable	1,274	-
Salaries and benefits payable	2,175	-
Due to other funds	30,000	-
Unearned revenue	1,783	-
Total current liabilities	<u>35,232</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	<u>3,317</u>	<u>-</u>
Total liabilities	<u>38,549</u>	
Net position		
Net investment in capital assets	30,479	-
Unrestricted	<u>18,975</u>	<u>13,044</u>
Total net position	<u>\$ 49,454</u>	<u>\$ 13,044</u>

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit H

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION**

Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund	
	School Nutrition	Internal Service
Operating revenues:		
Local sources:		
Charges for service	\$ 65,962	\$ 25,091
Operating expenses:		
Support services:		
Operation and maintenance of plant services	185	-
Non-instructional programs:		
Salaries	50,702	-
Benefits	27,639	27,481
Purchased services	435	10,458
Supplies	77,018	-
Depreciation	9,875	-
Miscellaneous	298	-
	165,967	37,939
Total operating expenses	166,152	37,939
Operating (loss)	(100,190)	(12,848)
Non-operating revenues:		
State sources	1,448	-
Federal sources	97,725	-
Interest income	15	42
Total non-operating revenues	99,188	42
Change in net position	(1,002)	(12,806)
Net position beginning of year	50,456	25,850
Net position end of year	\$ 49,454	\$ 13,044

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Exhibit I

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended June 30, 2014

	Enterprise Fund	
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 67,972	\$ -
Cash from services provided to other funds	-	25,091
Cash paid to employees for services	(81,056)	(37,939)
Cash paid to suppliers for goods or services	(93,861)	-
Net cash (used in) operating activities	(106,945)	(12,848)
Cash flows from non-capital financing activities:		
State grants received	1,448	-
Federal grants received	91,173	-
Interfund proceeds from general fund	30,000	-
Net cash provided by non-capital financing activities	122,621	-
Cash flows from investing activities:		
Interest on investments	15	42
Net increase (decrease) in cash and cash equivalents	15,691	(12,806)
Cash and cash equivalents beginning of year	13,534	25,850
Cash and cash equivalents end of year	\$ 29,225	\$ 13,044

(Continued on next page)

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**Exhibit I
(Continued)**

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended June 30, 2014

	Enterprise Fund	
	School Nutrition	Internal Service
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (100,190)	\$ (12,848)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Commodities used	6,552	-
Depreciation	9,875	-
(Increase) in inventories	(1,150)	-
(Increase) in accounts receivable	(17,335)	-
(Decrease) in accounts payable	(1,933)	-
Increase in salaries and benefits payable	112	-
(Decrease) in accounts payable	(1,933)	-
Increase in salaries and benefits payable	112	-
(Decrease) in deferred revenue	(49)	-
(Decrease) in other postemployment benefits	(2,827)	-
Net cash (used in) operating activities	\$ (4,697)	\$ -

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$6,552 of federal commodities.

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**Exhibit J****STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUND****June 30, 2014**

	<u>Agency</u>
Assets	
Cash, cash equivalents and pooled investments	<u>\$ 1,441</u>
Total assets	<u><u>\$ 1,441</u></u>
Liabilities	
Accounts payable	\$ 1,431
Due to other governments	<u>10</u>
Net position of governmental activities (page 15)	<u><u>\$ 1,441</u></u>

See notes to financial statements.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

North Kossuth Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education. The geographic area served includes the Cities of Bancroft, Ledyard and Swea City, Iowa and the predominate agricultural territory in Kossuth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, North Kossuth Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. North Kossuth Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's health insurance deductible reimbursement plan and employee flexible benefit plan.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</u>
Buildings	20-50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability for these amounts is recorded in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional programs and other expenditures functions.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 30,000
Activity	General	9,953
Management	General	814
Physical plant and equipment	General	750
Total		<u>\$ 41,517</u>

These receivables and payables between funds arise from timing differences involved in the reimbursement of expenses at year end. The balance is to be repaid by June 30, 2015.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$9,426 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,725	\$ -	\$ -	\$ 30,725
Total capital assets not being depreciated	30,725	-	-	30,725
Capital assets being depreciated:				
Buildings	3,339,398	6,890	-	3,346,288
Improvements other than buildings	653,358	155,015	-	808,373
Furniture and equipment	2,024,460	301,629	61,187	2,264,902
Total capital assets being depreciated	6,017,216	463,534	61,187	6,419,563
Less accumulated depreciation for:				
Buildings	1,231,569	74,697	-	1,306,266
Improvements other than buildings	130,364	37,260	-	167,624
Furniture and equipment	1,565,105	126,562	55,592	1,636,075
Total accumulated depreciation	2,927,038	238,519	55,592	3,109,965
Total capital assets being depreciated, net	3,090,178	225,015	5,595	3,309,598
Governmental activities capital assets, net	\$ 3,120,903	\$ 225,015	\$ 5,595	\$ 3,340,323
Business-type activities:				
Furniture and equipment	\$ 144,051	\$ -	\$ -	\$ 144,051
Less accumulated depreciation	103,697	9,875	-	113,572
Business-type activities capital assets, net	\$ 40,354	\$ (9,875)	\$ -	\$ 30,479

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 72,317
Special	1,075

Support services:

Instructional staff	2,596
Administration	8,087
Operation and maintenance of plant	7,573
Transportation	34,915

Unallocated depreciation

Total depreciation expense - governmental activities

126,563
111,956
\$ 238,519

Business-type activities:

Food service operations	\$ 9,875
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NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ -	\$ 4,048	\$ -	\$ 4,048	\$ 4,048
Termination benefits	104,982	-	25,308	79,674	29,058
Capital leases	-	233,824	38,356	195,468	34,868
Net OPEB liability	102,069	60,590	-	162,659	-
Total	\$ 207,051	\$ 298,462	\$ 63,664	\$ 441,849	\$ 67,974
Business-type activities:					
Net OPEB liability	\$ 6,144	\$ -	\$ 2,827	\$ 3,317	\$ -

Capital leases: The District entered into two capital leases to provide funds for the purchase of three buses. The leases bear interest at 2.72% to 2.98% per annum are payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund or the Capital Projects, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2014 are as follows:

Year Ending June 30,	Issued November 1, 2013		Issued August 6, 2012		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 21,988	\$ 3,860	\$ 12,881	\$ 1,595	\$ 34,869	\$ 5,455
2016	22,586	3,262	40,661	1,212	63,247	4,474
2017	97,352	2,648	-	-	97,352	2,648
	\$ 141,926	\$ 9,770	\$ 53,542	\$ 2,807	\$ 195,468	\$ 12,577

During the year ended June 30, 2014, the district made principal and interest payments totaling \$40,324 under the agreements.

Termination benefits: The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2014, the District has obligations to five participants with a total liability of \$79,674. Actual early retirement expenditures for the year ended June 30, 2014 total \$25,308.

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$172,463, \$160,407 and \$154,661 respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 39 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the health benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation.

Annual required contribution	\$ 99,446
Interest on net OPEB obligation	2,705
Adjustment to annual required contribution	(11,203)
Annual OPEB cost	<u>90,948</u>
Contributions made	(36,502)
Increase in net OPEB obligation	<u>54,446</u>
Net OPEB obligation beginning of year	<u>108,213</u>
Net OPEB obligation end of year	<u><u>\$ 162,659</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued) – For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$36,502 to the medical plan. Plan members eligible for benefits contributed \$4,760, or 15% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2012	\$ 33,982	44.9%	\$ 53,086
2013	93,096	40.8%	108,213
2014	90,948	40.1%	162,659

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$549,712, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$549,712. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,360,000 and the ratio of the UAAL to covered payroll was 40.4%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions – Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and by applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Note 8. Risk Management

North Kossuth Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$138,742 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Lease Commitments

The District leases office equipment under a noncancelable operating lease agreement. The lease expires in August, 2016. The future minimum lease payments by year as of June 30, 2014 follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 7,176
2016	1,196
Thereafter	-
Total	\$ 8,372

NOTES TO FINANCIAL STATEMENTS

Note 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
At-Risk Programs	\$ 10,482
Gifted and Talented	21,009
Returning Dropouts and Dropout Prevention	83,738
Transportation Assistance	1,860
Beginning Teacher Mentoring and Induction	3,900
Teacher Salary Supplement	26,214
Successful Progression for Early Readers	5,250
Professional Development for Model Core Curriculum	11,409
Professional Development	5,277
Teacher Leadership Grant	6,117
	<hr/>
	\$ 175,256

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information
Year ended June 30, 2014**

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 3,204,068	\$ 65,962	\$ 3,270,030
State sources	1,538,252	1,448	1,539,700
Federal sources	201,171	97,725	298,896
Total revenues	4,943,491	165,135	5,108,626
Expenditures/Expenses:			
Instruction	3,324,193	-	3,324,193
Support services	1,407,681	-	1,407,681
Non-instructional programs	-	166,152	166,152
Other expenditures	362,710	-	362,710
Total expenditures/expenses	5,094,584	166,152	5,260,736
Excess (deficiency) of revenues over (under) expenditures/expenses	(151,093)	(1,017)	(152,110)
Other financing sources, net	322,251	15	322,266
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	171,158	(1,002)	170,156
Balance, beginning of year	1,258,774	50,456	1,309,230
Balance, end of year	\$ 1,429,932	\$ 49,454	\$ 1,479,386

See accompanying independent auditor's report.

Budget		Final to Actual Variance Favorable (Unfavorable)	
Original	Final		
\$ 2,908,660	\$ 2,908,660	\$	361,370
1,202,233	1,202,233		337,467
359,335	359,335		(60,439)
4,470,228	4,470,228		638,398
2,768,150	2,768,150		(556,043)
984,000	984,000		(423,681)
137,000	137,000		(29,152)
352,963	352,963		(9,747)
4,242,113	4,242,113		(1,018,623)
228,115	228,115		(380,225)
190,793	190,793		131,473
418,908	418,908		(248,752)
1,512,246	1,512,246		(203,016)
\$ 1,931,154	\$ 1,931,154	\$	(451,768)

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING **Year Ended June 30, 2014**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted and the District also exceeded its General Fund unspent authorized budget.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 282,722	\$ 282,722	0.0%	\$ 1,760,000	16.1%
2011	July 1, 2009	-	263,979	263,949	0.0%	1,685,000	15.7%
2012	July 1, 2009	-	240,526	240,526	0.0%	1,696,000	14.2%
2013	July 1, 2012	-	615,361	615,361	0.0%	1,360,000	45.2%
2014	July 1, 2012	-	549,712	549,712	0.0%	1,360,000	40.4%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalent and pooled investments	\$ 113,750	\$ 1,022	\$ 114,772
Receivables:			
Property tax:			
Delinquent	850	-	850
Succeeding year	75,000	-	75,000
Accounts	-	3,813	3,813
Due from other funds	814	9,953	10,767
Due from other governments	-	483	483
Total assets	\$ 190,414	\$ 15,271	\$ 205,685
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 190	\$ 190
Total liabilities	-	190	190
Deferred inflows of resources:			
Succeeding year property tax	75,000	-	75,000
Total deferred inflows of resources	75,000	-	75,000
Fund balances:			
Restricted for:			
Management levy purposes	115,414	-	115,414
Student activities	-	15,081	15,081
Total fund balances	115,414	15,081	130,495
Total liabilities, deferred inflows of resources and fund balances	\$ 190,414	\$ 15,271	\$ 205,685

See accompanying independent auditor's report.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Schedule 2

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds**

Year ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 75,314	\$ -	\$ 75,314
Other	4,614	53,750	58,364
Total revenues	79,928	53,750	133,678
Expenditures:			
Current:			
Instruction:			
Regular	31,033	-	31,033
Other	-	51,465	51,465
Support services:			
Administration	23,462	-	23,462
Operation and maintenance of plant	24,982	-	24,982
Transportation	6,176	-	6,176
Total expenditures	85,653	51,465	137,118
Excess (deficiency) of revenues over (under) expenditures	(5,725)	2,285	(3,440)
Fund balances beginning of year	121,139	12,796	133,935
Fund balances end of year	\$ 115,414	\$ 15,081	\$ 130,495

See accompanying independent auditor's report.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Schedule 3

**Combining Balance Sheet
Capital Projects Accounts**

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalent and pooled investments	\$ 219,731	\$ 121,581	\$ 341,312
Receivables:			
Property tax:			
Delinquent	-	771	771
Succeeding year	-	73,855	73,855
Due from other funds	-	750	750
Due from other governments	41,401	-	41,401
Total assets	\$ 261,132	\$ 196,957	\$ 458,089
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,815	\$ 11,330	\$ 14,145
Total liabilities	2,815	11,330	14,145
Deferred inflows of resources:			
Succeeding year property tax	-	73,855	73,855
Total deferred inflows of resources	-	73,855	73,855
Fund balances:			
Restricted for:			
School infrastructure	258,317	-	258,317
Physical plant and equipment	-	111,772	111,772
Total fund balances	258,317	111,772	370,089
Total liabilities, deferred inflows of resources and fund balances	\$ 261,132	\$ 196,957	\$ 458,089

See accompanying independent auditor's report.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Schedule 4

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 69,003	\$ 69,003
Other	167	21	188
State sources	261,773	-	261,773
Total revenues	261,940	69,024	330,964
Expenditures:			
Current:			
Support services:			
Instructional staff services	26,405	11,068	37,473
Administration	-	14,655	14,655
Operation and maintenance of plant	81,073	17,252	98,325
Transportation	167,774	66,050	233,824
Other expenditures:			
Capitalized lease payments	25,848	14,476	40,324
Facilities acquisition	137,045	46,599	183,644
Total expenditures	438,145	170,100	608,245
Excess (deficiency) of revenues over (under) expenditures	(176,205)	(101,076)	(277,281)
Other financing sources (uses):			
Capital lease proceeds	167,774	66,050	233,824
Sale of leased vehicles	-	88,427	88,427
	167,774	154,477	322,251
Change in fund balance	(8,431)	53,401	44,970
Fund balances beginning of year	266,748	58,371	325,119
Fund balances end of year	\$ 258,317	\$ 111,772	\$ 370,089

See accompanying independent auditor's report.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**Schedule of Change in Special Revenue Fund, Student Activity Accounts****Year ended June 30, 2014**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures
Athletics	\$ 3,415	\$ 28,054	\$ 36,769
Vocal	1,815	-	216
Instrumental	(7,541)	179	-
MS student council	2,004	3,921	2,451
Activity tickets	8,133	4,105	1,331
Interest	(48)	9	-
Drama and speech	909	-	-
FFA	(168)	-	-
FFA scholarship CD	168	-	-
FCCLA	-	-	-
Yearbook	3,316	1,652	1
Elementary student council	1,754	2,619	1,649
Elementary read-a-thon	(1,110)	10,070	8,959
Elementary special olympics	59	-	-
Quiz bowl	(241)	29	90
Science club	331	-	-
Music boosters	-	3,113	-
Class of 2013	-	-	-
Class of 2014	-	-	-
Class of 2015	-	-	-
Total	\$ 12,796	\$ 53,751	\$ 51,466

See accompanying independent auditor's report.

Schedule 5

Interfund Transfers	Balance End of Year
\$ 5,846	\$ 546
-	1,599
7,362	-
-	3,474
(10,907)	-
39	-
-	909
168	-
(168)	-
-	-
-	4,967
-	2,724
-	1
-	59
302	-
-	331
(2,642)	471
-	-
-	-
-	-
\$ -	\$ 15,081

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT**Schedule 6****Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund****Year ended June 30, 2014**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash, cash equivalents and pooled investments	\$ 1,441	\$ -	\$ -	\$ 1,441
Total assets	\$ 1,441	\$ -	\$ -	\$ 1,441
Liabilities				
Accounts payable	\$ 1,431	\$ -	\$ -	\$ 1,431
Due to other governments	10	-	-	10
Total liabilities	\$ 1,441	\$ -	\$ -	\$ 1,441

See accompanying independent auditor's report.

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 1,927,866	\$ 2,399,279	\$ 2,903,676	\$ 2,850,957
Tuition	972,374	851,770	468,992	225,101
Other	303,828	114,005	122,164	145,580
State sources	1,538,252	1,142,946	1,227,618	1,458,634
Federal sources	201,171	173,215	293,934	364,517
Total revenues	\$ 4,943,491	\$ 4,681,215	\$ 5,016,384	\$ 5,044,789
Expenditures:				
Instruction:				
Regular	\$ 2,119,922	\$ 1,817,542	\$ 1,820,296	\$ 1,602,825
Special	1,011,952	1,064,120	769,192	766,492
Other	192,319	437,957	608,662	644,447
Support services:				
Student	93,241	39,782	59,859	38,812
Instructional staff	79,521	64,433	225,957	90,149
Administration	441,552	471,492	466,881	443,651
Operation and maintenance of plant	346,004	263,108	291,827	306,092
Transportation	447,363	332,547	243,926	241,963
Other expenditures:				
Capitalized lease payments	40,324	-	-	-
Facilities acquisition	183,644	137,512	246,552	320,971
Long-term debt:				
Principal	-	-	130,000	125,000
Interest and other charges	-	-	5,245	9,570
AEA flowthrough	138,742	133,020	131,538	152,354
Total expenditures	\$ 5,094,584	\$ 4,761,513	\$ 4,999,935	\$ 4,742,326

See accompanying independent auditor's report.

Schedule 7

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 2,826,020	\$ 2,539,679	\$ 2,012,115	\$ 2,233,285	\$ 2,330,981	\$ 2,237,918
335,644	337,664	392,687	224,855	170,375	268,802
163,066	295,599	218,591	190,038	188,682	216,864
1,132,617	1,140,199	1,449,950	1,269,405	1,204,489	1,476,134
447,013	259,875	230,159	168,919	265,687	401,412
\$ 4,904,360	\$ 4,573,016	\$ 4,303,502	\$ 4,086,502	\$ 4,160,214	\$ 4,601,130
\$ 1,577,994	\$ 1,571,886	\$ 1,596,282	\$ 1,489,036	\$ 1,485,648	\$ 1,610,145
781,785	733,770	649,827	577,662	566,513	756,089
686,474	598,422	573,293	521,452	510,544	272,263
55,026	45,888	86,469	52,491	52,417	51,628
46,629	19,242	93,601	148,105	30,542	70,063
450,807	443,625	448,430	427,917	484,188	496,008
298,365	317,614	428,217	361,119	338,416	274,303
226,453	223,313	256,072	321,250	279,018	239,727
-	-	-	-	-	-
322,485	258,300	129,607	93,844	114,819	552,480
120,000	120,000	115,000	110,000	110,000	105,000
13,480	17,380	20,830	23,718	26,193	28,293
150,507	136,215	137,836	132,514	128,082	130,763
\$ 4,730,005	\$ 4,485,655	\$ 4,535,464	\$ 4,259,108	\$ 4,126,380	\$ 4,586,762



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
North Kossuth Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Kossuth Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Kossuth Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Kossuth Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Kossuth Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Kossuth Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Kossuth Community School District's Responses to Findings

North Kossuth Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. North Kossuth Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schrarr & Company, LLP

Fort Dodge, Iowa
December 22, 2014

NORTH KOSSUTH COMMUNITY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

No matters were noted.

Instances of Non-compliance:

No matters were noted.

Part III: Other Findings Related To Required Statutory Reporting:

- III-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the instruction, support services, non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- III-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**Schedule of Findings and Questioned Costs
(Continued)**

Year ended June 30, 2014

- III-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted mileage is being reimbursed at fifty-eight cents per mile which exceeds the maximum reimbursement rate established by the IRS.

Recommendation – The District should adhere to the proper mileage reimbursement rate which does not exceed the IRS maximum. The District should also seek the excess payments be returned.

District Response – We will adjust to the proper reimbursement rate and seek return of the excess reimbursement.

Conclusion – Response accepted.

- III-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

- III-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- III-F-14 Board Minutes – No transactions requiring board approval that had not been approved by the board were noted.

- III-G-14 Certified Enrollment – The number of open enrolled out students reported to the Iowa Department of Education on the Certified Enrollment Certification Form of October 2013 was overstated by 1.0 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response – We will contact the Iowa Department of Education and the Department of Management deemed necessary.

Conclusion – Response accepted.

- III-H-14 Supplemental Weighting – Variances in operational sharing impacting the supplemental weighting certified to the Iowa Department of Education was noted.

Recommendation – The District should contact the Iowa Department of Education to resolve this matter.

District Response – We will contact the Iowa Department of Education.

Conclusion – Response accepted.

**Schedule of Findings and Questioned Costs
(Continued)**

Year ended June 30, 2014

- III-I-14 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

The District adopted a depository resolution naming each depository that may hold funds for the District. However, the District did not list a maximum amount that may be maintained at each depository.

Recommendation – The District should review the depository resolution maximum amounts that may be kept on deposit and have the board approve.

District Response – We will review the maximum amounts that may be kept on deposit and have the board approve as part of the annual depository resolution.

Conclusion – Response accepted.

- III-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- III-K-14 Categorical Funding –No instances were noted of categorical funding being used to supplant rather than supplement other funds were noted.

**Schedule of Findings and Questioned Costs
(Continued)**

Year ended June 30, 2014

- III-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	266,748
Revenues/transfers in:			
Statewide sales, service and use tax revenue	\$	261,773	
Other		167	261,940
			<hr/>
Expenditures/transfers out:			
School infrastructure		137,045	
Capitalized lease payments		25,848	
Support services		107,478	270,371
			<hr/>
Ending balance		\$	<u>258,317</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.